

## Newport Beach Special Improvement District 95-1, California

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**Credit Profile**

Newport Beach Spl Imp Dist 95-1 spl tax rev bnds

|                          |                 |          |
|--------------------------|-----------------|----------|
| <i>Unenhanced Rating</i> | A-(SPUR)/Stable | Affirmed |
|--------------------------|-----------------|----------|

Many issues are enhanced by bond insurance.

### Rationale

Standard & Poor's Ratings Services affirmed its 'A-' Standard & Poor's underlying rating (SPUR), with a stable outlook, on Newport Beach Special Improvement District 95-1, Calif.'s series A special-tax refunding bonds.

The SPUR reflects:

- A very small, though mostly developed and residential, district in the upscale community of Newport Beach, Calif. along coastal Orange County;
- A high concentration in Irvine Co., the leading taxpayer and a large commercial property owner;
- A strong assessed value (AV)-to-lien ratio with a low assessment burden given the area's wealth; and
- Solid legal provisions, including a closed lien on additional parity debt.

Under the Mello-Roos Community Facilities Act of 1982, the bonds are secured by a pledge of special taxes levied against property within the district.

Newport Beach Special Improvement District 95-1, encompassing less than 80 acres, is relatively small but is substantially developed and mostly residential. Total district AV has increased by 18% since fiscal 2003 to \$404 million for fiscal 2008, leading to a very strong AV-to-lien ratio of 40-to-1 without including overlapping tax and assessment debt.

Furthermore, only one parcel out of the district's 273 parcels has an AV-to-lien ratio below 10-to-1.

Despite its mostly residential makeup, the district has considerable taxpayer concentration. Specifically, Irvine Co., the leading special taxpayer, accounts for roughly 33% of 2008 special taxes. Tax delinquency rates of less than 1% somewhat mitigate this high concentration. Irvine accounts for 20% of total district AV with no other taxpayer accounting for more than 1%. Coverage is strong enough that the district could lose Irvine as a revenue source and still cover debt service payments without substantially drawing down reserves. Currently, special taxes are levied at 63% of the maximum allowable amount, giving the district some flexibility.

Newport Beach, with a permanent population of about 79,000, is an upper-income bedroom community in Orange County along the Pacific Coast, about 30 miles south of Los Angeles, Calif. During the summer, the population increases by a minimum of 20,000 to as much as 100,000 daily. City income levels are very high. Per capita income is 268% of state and national averages. City residents have access to employment opportunities throughout Orange County and southern Los Angeles County.

### **Outlook**

The stable outlook reflects a good maximum annual debt service coverage with developed properties; a strong AV-to-lien ratio; and a special tax that is not burdensome, especially when taking area wealth into consideration. The closed lien on additional bonds provides further stability.

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